

Evraz Highveld sale faces legal spoiler

The sale of Evraz Highveld Steel & Vanadium to Hong Kongbased International Resources may be in jeopardy, with the shuttered steel maker's parent company Evraz plc bringing court challenge against the business rescue plan of its South African subsidiary.



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East Metals and Mastercroft - wholly-owned subsidiaries of Russian-owned Evraz plc - are seeking to declare Highveld's business rescue plan, and the October 13 creditors' vote which adopted it, declared invalid and set aside.

They are also seeking to have the remuneration of the business rescue practitioners declared invalid and set aside.

Highveld said on Friday that it and the business rescue practitioners intended to oppose the application.

Business rescue practitioner Piers Marsden of Matuson & Associates, said that if there were uncertainty because of the court action, "it will make it very hard to conclude a transaction" and would likely force Highveld's liquidation.

"We are very disappointed by Evraz's actions, which are clearly designed to frustrate the business rescue process," Marsden said.

"The business rescue plan has received overwhelming support from creditors, labour and government with over 90% of

independent creditors voting in favour of the plan."

Evrast has an 85% shareholding in Highveld and a creditors' claim of R380m.

International Resources is only offering R350m to settle creditors' claims in its offer to purchase Highveld.

The South African Revenue Service, which has an income tax claim on Highveld worth about R550m, voted in favour of selling to International Resources and has been cited as a respondent in Evrast's court challenge.

Total creditor's claims were estimated at R1.2bn, but excluded potential claims for environmental cleanup costs and the tax claim.

The Evrast parent group stands to gain by letting Highveld go into liquidation.

Evrast is one of the world's largest producers of vanadium, and liquidating Highveld would take about 10% of supply out of the global value chain for the alloy, which is used in making products such as high-speed tools and jet engines. When Evrast bought Highveld it was forced by European Union competition authorities to divest of certain vanadium assets.

Law firm Baker & McKenzie, acting for East Metals and Mastercraft, confirmed on Friday that papers for the application had been lodged in the Pretoria High Court last week.

"I can't provide further comment," said Callum O'Connor, senior associate in the firm's dispute resolution department.

Source: Business Day

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